
State Renewable Energy News

A Compilation of Renewable Electric Activities in the States

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Renewables In The Mix — Green Markets And Renewables Policy

As green marketing moves beyond customer surveys and makes a run for the open market, debate continues as to whether green marketing is, or is not, in the public interest. Since much of the current supply of renewable energy was developed for all customers, is it fair to now allow a utility to sell it for a premium? And if it is sold at a premium, what is being sold to everyone else, and at what rate? Will the rate charged to everyone else be reduced to reflect the absence of the renewable component? Green energy sales across state borders similarly raise a question as to whether green exports leave a state short of the renewables it presumably wanted as a matter of state policy. Or does the host state still retain benefits in the form of a cleaner environment in the locale of the plants?

Fortunately, in the case of renewables, past policy and new markets are not only compatible, but can be successfully married. Market choice can accelerate renewables policy. Wind turbines prompted by premium pricing are going up where none stood before, and there are more renewables in the works, thanks to the greening of product offerings for the market.

Given the market push for green products, framing the issue as a choice between green markets or green policy misses the chance to leverage the two. For instance, separating out "old renewables for the public" from "new renewables for the market" condemns the existing supply to market obsolescence, while the new market starves for supply.

Coordinated policy can preserve existing renewable levels while at the same time supporting vital green markets. Take as one example, the tailored use of a renewables portfolio standard. A portfolio standard could be used to define the type, amount and timing of the baseline renewable energy to be included in all sales, and therefore paid in all rates, even as green markets open demand for the same supply. With tradable credits, existing renewables can supply either the minimum requirements of traditional suppliers or new demand from green marketers. The price established by this combined market will more efficiently regulate the construction of new supply, without the artificial distinction of old versus new. The timing or ramping of a portfolio standard could even allow existing sources to feed green markets, subject to the addition of new supply on practical construction schedules. As the standard kicks in, the additional supply comes on line. The result could be healthy markets plus new construction, rather than stagnated markets and no construction.

Other policies, like the renewables surcharge adopted in California and other states, can be similarly structured. Green markets, reflecting public preferences, are the force behind renewable policy. Renewables policy needs to use the force.

R. Brent Alderfer — Chairman
NARUC Subcommittee on Renewable Energy

State Activities

California

Retail Access Delayed by Three Months

The target start date for retail access has been extended to March 31, 1998, because of delays in starting up the Independent System Operator (ISO) and Power Exchange (PX).

In the interim, residential and small commercial ratepayers will receive a 10 percent electricity rate reduction, and utility rates will be frozen; the ongoing consumer education program about electric industry change will continue; and utilities can proceed to arrange for the sale of generation plants, however, final transfer of the plants can take place only when the market is open to competition.

The ability of customers to choose and sign-up for a new energy provider will continue during the delay, except that the new energy providers will not be able to provide service until direct access begins. The Competition Transition Charge (CTC) paid by all customers will continue to be recovered in bundled rates, however, calculation of the specific CTC amount is delayed until operation of the PX because it is determined by the market price of electricity established in the PX.

PUC Contact:

Dianne Dienstein, (415) 703-2423

Colorado

Governor Announces Renewables Plan

Governor Roy Romer announced 10 steps his office will take to help Colorado significantly increase its use of renewable energy. The plan draws from the final report of the Governor's Renewable Energy Task Force, which was created by executive order in 1996 (*SREN*, Summer 1996).

Included in the Governor's plan are steps to: provide technical support for potential users of renewable energy; promote green power purchases; encourage the adoption of net metering programs by utilities; facilitate homeowner access to financing for renewable energy technologies; and support renewable energy education.

Separately, Governor Romer issued a "1,000 by 2000" challenge to Coloradans to install 1,000 rooftop solar systems by the year 2000.

The challenge supports President Clinton's "Million Solar Roofs" initiative (*SREN*, Winter 1997). To kick off the challenge, an 800-Watt photovoltaic system was installed at the governor's residence.

Office of Energy Conservation Contact:
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Illinois

Restructuring Law Includes SBC

The Illinois legislature has established a timetable to open the state's electricity market to full retail competition by 2002. The new law includes guaranteed rate cuts for customers and a system benefits charge (SBC) for renewables, making Illinois the first state to include a renewables SBC where such funding did not exist previously under utility regulation.

The law also includes an SBC for energy efficiency, low-income assistance, and clean coal technology, and an environmental disclosure requirement.

The technology-related surcharge will average 5 cents per month for residential customers; 50 cents per month for nonresidential gas customers under 10 megawatts, and \$37.50 per month for all other nonresidential customers. The surcharge is expected to raise \$9.6 million annually, of which 50% will go toward renewables and the other half to clean coal technology assistance.

Renewables are defined as wind, solar thermal, photovoltaics, dedicated crops for biomass, hydropower without new dams or "significant expansion" of dams, and "other alternative sources of environmentally preferable energy." The law explicitly excludes waste-to-energy, tires, and waste wood from the renewables definition.

The Illinois Department of Commerce and Community Affairs will administer the Renewable Energy Resources Program, providing grants, loans, and other incentives to encourage development and use of renewable energy resources.

Illinois Energy Office Contact:
Henry Kurth, (217) 785-5222

Iowa

IUB Proposes to Eliminate Net Metering

Citing a 1997 ruling by the Federal Energy Regulatory Commission that utilities cannot be required to pay more than their avoided cost for power that is offered to them for sale by renewable energy producers (**SREN**, Winter 1997), the IUB initiated a rulemaking process to repeal the state's net metering policy for residential renewable energy systems.

In a January hearing, net metering proponents argued that net metering is a billing and metering practice that is within the state's authority over the retail practice of utilities and that at no point under a net billing arrangement does a utility actually purchase any power at above avoided cost.

As the IUB deliberates, a bill has been introduced in the Iowa legislature that would require utilities to enter into net metering agreements with eligible customers.

IUB Contact:

Bill Smith, (515) 281-6496

Maine

PUC Looks at RPS Implementation

The PUC issued a Notice of Inquiry (NOI) on the implementation of the renewable resource portfolio requirement that all electricity providers must meet beginning March 1, 2000, when the state's electric industry opens to competition (**SREN**, Summer 1997). The NOI also addresses the voluntary contribution program to fund renewable resource research and development.

Specifically, the PUC is seeking information on issues such as: how the portfolio obligation should be defined and how compliance should be measured and verified; the design and implementation of a credit-trading system; whether or not pumped hydro should be included as a renewable resource; and the consequences for noncompliance.

PUC contact:

Sharon Reischus, (207) 287-1378

Maryland

PSC Rejects Renewables Policies

In December 1997, the PSC issued an order calling for a phase-in of electric retail competition to all Maryland residents and

businesses over two years, beginning in July 2000. Although the Commission noted that it is "concerned about the effects of the new competitive marketplace upon the environment," it rejected proposals for special policies to support renewables, such as a renewables portfolio standard or a non-bypassable charge on all customers. The PSC also chose not to adopt an environmental disclosure standard.

PSC Contact:

Daniel Gahagan, (410) 767-8000

Massachusetts

Restructuring Law Addresses Renewables

The Massachusetts Assembly passed legislation opening its electric market to retail competition by March 1998. The law includes a system benefits charge (SBC) for renewables; a two-tiered renewables portfolio standard (RPS) for existing and new renewables facilities; and consumer information disclosure of fuel mix and emissions of generation sources.

A Renewable Energy Trust Fund will be established with a mandatory charge of 0.75 mills/kWh in 1998, one mill/kWh in 1999 and 1.25 mills/kWh in 2000, before decreasing back to 1 mill/kWh in 2001, 0.75 mills/kWh in 2002, and to a fixed 0.5 mills/kWh thereafter. The fund is expected to generate approximately \$200 million to support renewables over the first five years and \$20–\$25 million annually thereafter.

The Massachusetts Technology Park Corporation will oversee the fund, assisted by the Massachusetts Division of Energy Resources (DOER) and an advisory committee.

The DOER will set the terms of the RPS for all retail electric suppliers. The RPS would require an additional 1% of consumption from new renewable energy facilities by the end of 2003 (over the 6% to 7% today), and would increase by 0.5% per year of retail end-use consumption until the end of 2009, and an additional 1% per year thereafter.

The restructuring law defines renewables to include photovoltaics, solar thermal electric, wind, ocean thermal, wave energy, tidal energy, fuel cells using renewable fuels, landfill gas, low-emission, advanced biomass

power such as gasification, and hydro. Conventional wood waste-fired facilities appear to be excluded unless equipped with advanced conversion technologies. Waste-to-energy and hydro generation will not count towards the RPS standard for new renewable facilities.

DOER Contact:

Nils Bolgen, (617) 727-4732, x178

Nebraska

Governor Issues Executive Order

Governor Benjamin Nelson issued an Executive Order requiring all state agencies to use renewable resources and energy efficiency measures wherever cost-effective and practical, particularly in new construction and large remodeling projects. State agencies are also encouraged to purchase electricity generated from renewables.

Governor's Office contact:

Steve Moeller, (402) 471-2417

New York

PSC Establishes System Benefits Charge

The PSC issued an order establishing a system benefits charge (SBC) to fund PSC-approved energy efficiency programs and services, public-benefit research projects, including renewables, and low-income assistance and environmental protection programs.

The SBC will be funded for a three-year period beginning on June 1, 1998, after which time the PSC will determine whether the charge should be continued. The order establishes that specific utility funding levels will be determined during individual restructuring cases and will be subject to a 1.0 mill/kWh cap. The four restructuring plans approved to date provide for \$175 million over the three-year period, and the two plans still outstanding propose another \$59 million. The New York State Energy Research and Development Authority has been designated as the third-party administrator for the SBC funds.

PSC contact:

David Flanagan, (518) 474-7080

Net Metering Order Issued

The PSC issued an order regarding the net metering tariffs filed by six investor-owned utilities in response to the net metering law

enacted in 1997 (**SREN**, Fall 1997). Under the law, residential customers can install photovoltaic (PV) systems of 10 kilowatts or less, and utilities are required to file net metering tariffs.

An important aspect of the law allows customers to receive a credit against their bill at the residential rate, if output from their PV system exceeds demand during any monthly billing period. If, at the end of the year, the PV generation exceeds the user's total annual demand, then the utility pays the customer at the avoided-cost rate.

The PSC order affirms, at least in part, uniform interconnection standards agreed to by the six utilities. The order also allows customers to select between using one reversible meter, or two unidirectional meters to separately measure energy inflows and outflows. Utilities will also be allowed to require the installation of transformers when necessary to ensure safety and adequacy of service, with written justification upon request.

However, the PSC rejected all utility proposals of insurance, easement, and indemnification as burdensome and unnecessary. Utility requirements will be limited to customer demonstration of at least \$100,000 in liability coverage through homeowner insurance policies. The PSC also ordered the utilities to offer five-year contracts to net metering customers, with annual renewal provisions and cancellation by either party upon 30 days notice.

PSC Contact:

Howard Tarler, (518) 486-2483

Wisconsin

PSC Proposes Funding for Renewables

Noting that certain public benefits are "at risk if an effort is not made to preserve or enhance them within the new industry and regulatory structures," the PSC will propose legislation to assure the preservation and enhancement of public benefits in the transition to a restructured electric industry. The four public benefits are energy efficiency programs, services to low-income customers, renewable resource development, and environmental research and development.

On renewables, the PSC proposes a funding level of \$5 million per year to help "bring renewable energy costs down and to stimulate demand for renewable resources." The PSC proposes that the effort be concentrated on developing customer-sited renewable energy applications and small-scale, customer-sited renewable generation technologies.

PSC Contact:

Bob Norcross, (608) 267-9229

Other Activities

Green Power Trade Group Formed

Six green power marketers have formed the Renewable Energy Alliance (REA) to pursue a common agenda to address regulatory issues and undertake market-building activities in support of green power. The founding members are Enron, Foresight Energy, Green Mountain Energy Resources, PacifiCorp, ReGen Technologies, and Edison Source.

The REA will work to support policies and regulations that establish fair market structures for environmentally preferable power sources and foster the use of accurate environmental claims in the promotion of differentiated power products.

REA contact:

Eric Ingersoll, (617) 547-1200

NAAG Announces Disclosure Effort

Noting problems with defining what type of power can and should be labeled as "environmentally friendly," the NAAG announced that it will launch a task force to recommend language requiring disclosure when green power or marketing claims are used by electric utility providers. While taking no position on the environmental benefits of different types of power sources, the attorneys general emphasized that every state should ensure that consumers understand the exact nature of any green power marketing claims.

NAAG Contact:

Emily Meyers, (202) 326-6015

TVA Revs Up While BPA Backpedals

Two large federal power agencies are suddenly moving in historically opposite directions on renewable energy. The

Tennessee Valley Authority (TVA) announced that it will request competitive proposals for renewables-based, green power sources that it hopes to deliver to customers beginning in 2002. According to TVA, the amount of green power purchased will depend on the level of customer interest expressed, but could total as much as 300 megawatts.

While TVA prepares for its first marketing foray into renewables, a management committee formed to carry out a cost review of the Bonneville Power Administration (BPA) has recommended that BPA reduce its planned expenditures for renewable resource projects, with no new projects beyond those currently committed. The objective of the cost review was to help BPA reduce the price of its electricity and attract customers after 2001, when 90% of its existing power sales contracts expire.

TVA Contact:

William Irish, (423) 751-7994

BPA Contact:

Perry Gruber, (503) 230-5359

Enron to Build California Wind Power Plant

Enron Corp. announced plans to build a 39-MW wind power plant in Southern California that will provide electricity for Enron's California-based, green power product. In California, Enron is offering Earth SmartSM Power, which provides electricity containing 50% renewables, with the balance guaranteed not to come from coal, nuclear, or petroleum sources. The new plant will be constructed on two sites in Southern California, with the first 16 MW to be operational in the third quarter of 1998 and the remaining 23 MW in 1999.

Enron Contact:

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This newsletter is prepared for the NARUC Subcommittee on Renewable Energy to promote information sharing on state-level renewable electric activities. It is sponsored by the Office of Utility Technologies of the U.S. Department of Energy.

Comments can be directed to Blair Swezey at (303) 384-7455 or Blair_Swezey@nrel.gov. The newsletter is also available via the internet at: <http://www.nrel.gov/research/ceaa/projects/sren/>

The Subcommittee Chairman is the Honorable R. Brent Alderfer, Commissioner, Colorado Public Utilities Commission — (303) 894-2000 x303

Renewables Components in State Restructuring Laws

| State | Mechanism* | Disclosure Requirement |
|---------------|--|------------------------|
| Arizona+ | RPS — solar portfolio requirement. Beginning in 1999, all participating electricity suppliers must obtain at least one-half of 1% of power sold competitively from a photovoltaic or solar thermal source. The solar requirement increases to 1% in 2002. | No |
| California | SBC — \$540 million over four years to fund a mix of production incentives, project financing support, and customer rebates for renewables. | Yes |
| Illinois | SBC — 5.04/month surcharge on residential customers for 10 years for renewables development fund; expected to raise \$5 million per year. | Yes |
| Maine | RPS — 30% of retail sales to be provided by renewable resources, including hydro, fuel cells, and municipal solid waste (MSW) in conjunction with recycling. Also, voluntary fund for renewables R&D. | Yes |
| Massachusetts | RPS — 1% of electricity sales from new renewables starting in 2003, rising by an additional 0.5% per year through 2009, and increasing to 1% each year thereafter. SBC — 0.0754/kWh from all customers, beginning in 1998, to support the development and promotion of renewable energy projects. The charge increases to 0.14/kWh in 1999 and 0.1254/kWh in 2000, and decreases to 0.14/kWh in 2001 and 0.0754/kWh in 2002, and to 0.054/kWh each year thereafter. | Yes |
| Montana | SBC — 2.4% of 1995 utility revenues for energy conservation, renewables, and low-income energy assistance. | Yes |
| Nevada | RPS — 0.2% of total consumption, rising to 1% by 2010, to be obtained from in-state renewable resources (half of which must come from solar power). | Yes |
| New Hampshire | None | No** |
| Oklahoma | None | No |
| Pennsylvania | None | Yes |
| Rhode Island | SBC — 0.234/kWh for a minimum of five years to fund renewables and demand-side management programs. | Yes |

***RPS** = renewables portfolio standard; **SBC** = system benefits charge.

+Adopted by the Arizona Corporation Commission, a constitutionally created regulatory body.

**Under consideration